



Director of  
Central  
Intelligence

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**Top Secret**

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## **National Intelligence Daily (Cable)**

28 March 1979

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BRIEFS AND COMMENTS

USSR: Views on Egyptian-Israeli Treaty

*The Soviets in their initial reaction to the signing of the Egyptian-Israeli peace treaty reiterated their charges that the US intends to establish a military presence in the Middle East. Moscow continues to focus on alleged US plans for regional security alliances and the stationing of military advisers in Egypt and Israel to "compensate for the loss of Iran and the collapse of CENTO."*

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Moscow also continues to champion Arab interests by criticizing Egyptian President Sadat's "betrayal" of other Arab states and the Palestinians by his alleged acquiescence to Israel's annexation of occupied Arab territories. The Soviets are particularly pleased that Saudi and Jordanian opposition to the treaty held firm despite US "pressure and arm-twisting" by Dr. Brzezinski.

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//The Soviets are threatening to take some direct action to obstruct the implementation of the peace treaty. that Moscow will oppose and may even veto any motion in the UN Security Council to reposition UN troops in the Sinai. In the past, the USSR has curtailed its funding in support of UN peacekeeping forces in the Sinai but has never vetoed a measure defining the presence of these forces. The Soviets expect the US to request that the troops be relocated in the proposed buffer zone between Egyptian and Israeli forces following the Israeli interim withdrawal.//

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IRAN: Chief of Staff's Resignation

*Armed Forces Chief of Staff General Qarani's resignation yesterday may have been prompted by frustration over the problem of wresting control over the military from the revolutionary committees and over his failure to get the troops to return to their barracks. Another factor might be personal antagonism between Qarani and Defense Minister Madani over the future course of the Iranian military. Fighting has broken out in northern Iran between government forces and Turkomen tribesmen backed by leftists.*

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Qarani has been complaining for some time about the revolutionary committees, which have been demanding military officers' personnel files and interfering with military affairs. Officers have criticized Qarani for not ending committee review.

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Accusations by Ayatollah Khomeini that Qarani is pro-American--he has advocated a continued US military assistance program in order to maintain sophisticated equipment--have weakened Qarani's position. By contrast, Madani favors a small military not dependent on foreign aid.

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//The fighting in Gonbad-e Qabus follows weeks of agitation by leaders of the Sunni Muslim Turkomen tribesmen for autonomy.

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The Turkomens are receiving support from local members of the Marxist Fedayeen guerrilla groups (Chariks), according to press reports. The Fedayeen earlier supported Kurdish dissidents and appear to be trying to exploit tribal unrest to weaken the central government.

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OPEC: New Oil Prices

*//The Organization of Petroleum Exporting Countries agreed yesterday to raise the price of its benchmark crude 9 percent over the 1 January level to \$14.54 per barrel--the price OPEC had earlier planned to charge in the fourth quarter. OPEC also authorized individual members to add whatever "market premiums" they deem appropriate. Many producers have indicated they will impose surcharges, which will raise prices to as much as \$18.50 per barrel for premium African crudes. Saudi and United Arab Emirates officials told reporters in Geneva that their governments will not adopt a surcharge, but these countries do not have the excess capacity to force down the higher prices charged by others. Indeed some OPEC producers, including Saudi Arabia, have said they may cut production--an action that will ensure that the higher prices stick.//*

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Iran, Kuwait, and Venezuela have said they will add a \$1.20 per barrel surcharge to the new official price. The Algerian representative announced that light African crudes will carry a premium of about \$4, instead of the normal \$1.50 differential commanded by its high quality and proximity to Western markets. The effective surcharge will therefore be about \$2.50 per barrel. The Iraqi representative stated that his government had made no decision on a surcharge.

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*//OPEC members will probably adjust their production to help support the new price structure. Iran, which reportedly has increased its output to 3.5 million barrels per day, does not want its reentrance into the market to undermine the higher prices. No formal decision was made at the meeting, but some states already have indicated they will reduce their output as Iranian production rises. Saudi Oil Minister Yamani said after the meeting that Saudi Arabia will reduce its output from 9.5 million barrels per day to 8.5 million in the second quarter if Iran averages 3.5 million barrels per day in April as expected.//*

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# SOUTH AFRICA: Political Scandal

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*The South African Government-appointed commission investigating the Information Department scandal is to report its findings to parliament at the end of this week. The commission's findings will influence the political futures of the current National Party leaders.*

[REDACTED]

The commission apparently will not veer substantially from its preliminary report of December, which exonerated the members of Prime Minister Botha's present government from complicity in the misappropriation of public funds. Such a report is not likely to end the public furor over the mismanagement of South Africa's \$73 million secret propaganda war, and State President John Vorster may be forced to resign.

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There is a growing feeling in South Africa that even if Botha and his cabinet are cleared of any foreknowledge of some of the seamier secret Information Department projects, the Prime Minister may feel compelled to call an election before next fall in order to win a political mandate so that he can move forward on government decisionmaking now being held up because of the turmoil.

[REDACTED]

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The National Party, which won overwhelmingly in last year's parliamentary election, will have no difficulty winning another election. It might, however, lose a few urban constituencies now held by liberal Afrikaners, which would damage the more enlightened wing of the party and increase the political influence of the conservatives. If Botha can emerge from the scandal personally untainted, he stands a good chance of being reelected.

[REDACTED]

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## USSR-FRANCE: Brezhnev's Health

French President Giscard has postponed his visit to the USSR for at least three weeks because President Brezhnev "is suffering from a chill," according to the French domestic radio-service. Giscard was scheduled to arrive tomorrow. Last week the French Embassy in Moscow indicated that it was having trouble scheduling the discussion periods for the visit. The Soviets were insisting on short sessions, presumably because of Brezhnev's inability to spend long periods at the negotiating table. Brezhnev was last observed in public on Thursday, when Soviet television showed him meeting Thai Prime Minister Kriangsak. He was also seen at an award ceremony for Politburo members Kosygin and Pelshe on 19 March. According to the US Embassy, at that time Brezhnev's speech was slurred, his energy seemed low, and the Soviet leader was unable to pin medals on the recipients. This performance is typical of his other public appearances in recent months. We have no reason to believe that Brezhnev's health is being used to cover diplomatic differences between France and the USSR. [REDACTED]

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CHINA-VIETNAM: Delay in Talks

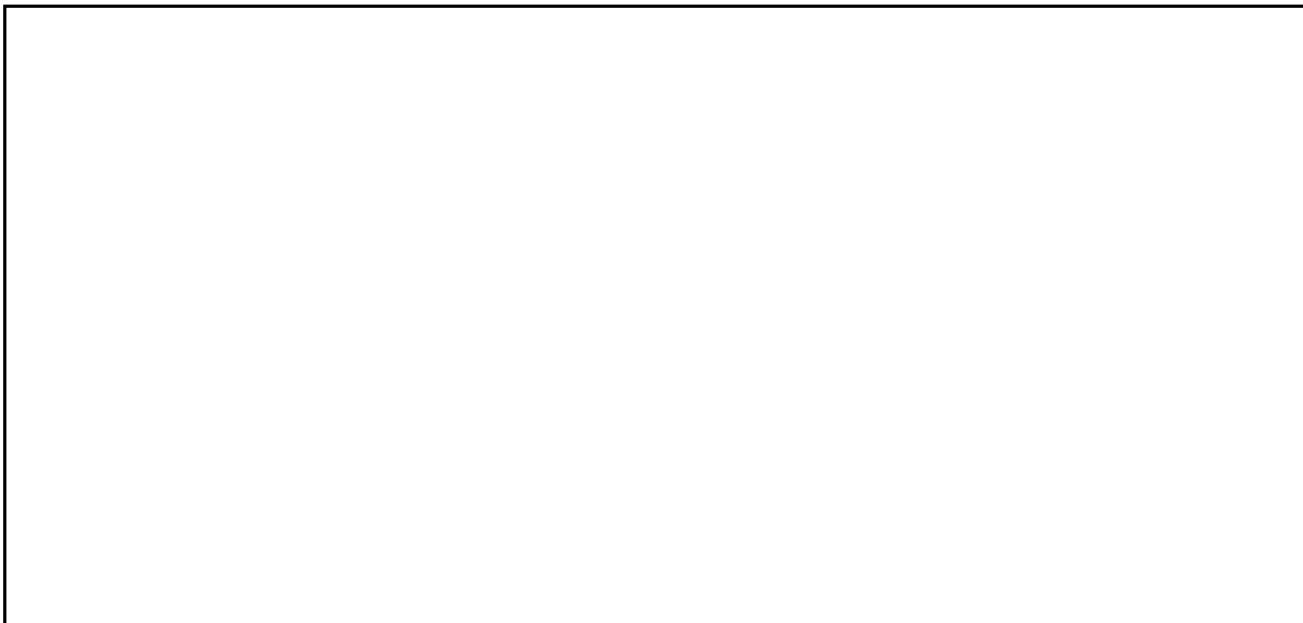
Hanoi and Beijing have exchanged diplomatic notes accusing each other of responsibility for delaying the opening of peace talks. The exchange virtually rules out the beginning of talks today or tomorrow. The Chinese Foreign Ministry note, delivered on Monday, accused Vietnam of using the "pretext" that Chinese troops remain in Vietnam to stall negotiations and to make "new war provocations." The Chinese also accused Moscow of "inciting" Hanoi to maintain a high level of tension on the Sino-Vietnamese border. Beijing concluded by referring to the "impossibility" of talks "in the near future," but seemed to hold out hope that progress could be made later. In response, Hanoi repeated its consistent demand that, before talks can begin, the Chinese troops must withdraw from all territory occupied since the Chinese incursion began on 17 February. The Vietnamese Foreign Ministry note, which was delivered to the Chinese Embassy in Hanoi yesterday, rejected as a "sheer deception" Beijing's assertion that all troops were removed by 16 March.

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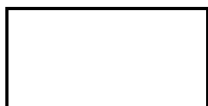
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UK: No-Confidence Vote

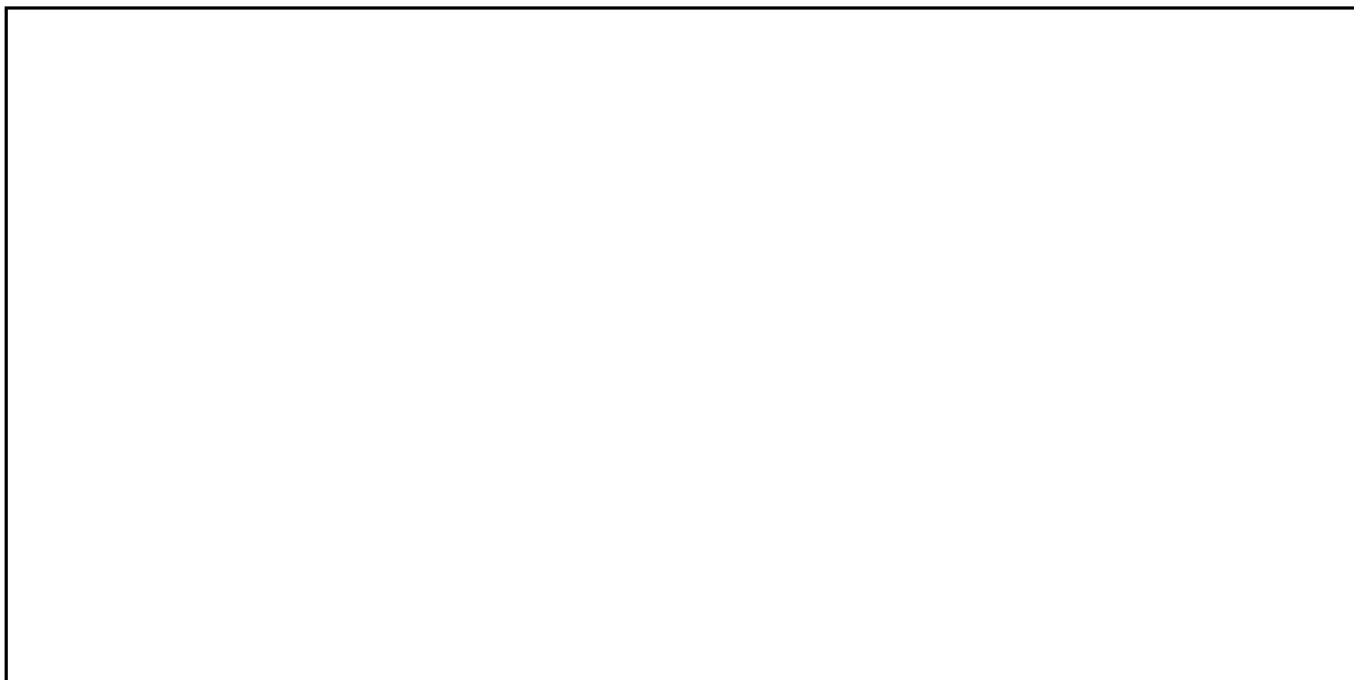
//British Conservative leader Thatcher stands a better than even chance of succeeding in her bid to bring down Prime Minister Callaghan's Labor government. The result of tonight's vote of no-confidence will depend on last-minute decisions by some of the 13 Liberal and 12 Ulster members of Parliament. Should Callaghan lose the vote, the election probably will be held in late April or early May.//

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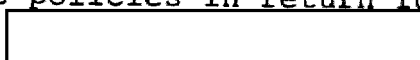
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# CANADA: Pre-Election Scene's

//Prime Minister Trudeau's campaign for the national election of 22 May will stress the theme that he will provide strong leadership for a united Canada. Opposition parties will point to the weak Canadian dollar and the high unemployment and inflation rates as examples of the economic mismanagement that necessitates a change of government. Trudeau's Liberal Party now holds a one-point lead in the polls, but the high number of undecided voters indicates that the electorate has serious reservations about both Trudeau and Progressive Conservative leader Joe Clark. If there is no shift in voter sentiment, the election will produce a minority government, with the center-left New Democratic Party holding the balance of power. The New Democrats would demand more nationalistic policies in return for supporting a new government.//

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## SPECIAL ANALYSIS

## BRAZIL: The Politics of Nuclear Decisions

*President Figueiredo has quietly called for a re-evaluation of Brazil's nuclear energy program. Brazilians are critical of the heavily increased costs, delays in implementation, and management problems of the program that was planned in 1975 when the accord with Germany was concluded. In addition, Brazil's scientific community has become divided over the uranium enrichment process to be transferred to Brazil, and the dispute has grown into a frequently vicious fight between different nuclear agencies. It appears that Brazil will eventually reduce the scope of its ambitious nuclear program and probably decrease the number of Brazilian - West German reactors from eight to four. Brazil, however, will not abandon either its drive for nuclear independence or the accord with West Germany, which it has vigorously defended.*

Brazil's nuclear program has increased dramatically under the ambitious 1975 accord with West Germany, which Brasilia has since categorized as essential to independence in the nuclear field. Indeed, national prestige has been profoundly linked to the West German technological package, which calls for joint development of eight power reactors and, more important, building uranium enrichment and fuel reprocessing plants.

The fact that spent-uranium reprocessing equipment can be used to extract plutonium--a weapon ingredient--has raised international concern about the Brazilian - West German accord. Brazil's reaction to US and other Western inquiries about the reprocessing arrangement has been indignant and harsh. Ill feelings created by what Brazil sees as US interference in its affairs have contributed to cooling relations and the abrogation of several longstanding joint military agreements. Any perceived interference or criticism of the accord with West Germany will continue to elicit a strong Brazilian response.

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A number of factors, however, suggest Brazil is considering a curtailment of its program with West Germany and the subordination of nuclear energy to hydroelectric power. The first is Brazil's disappointment with a series of delays in implementing the accord. Training and initial reactor construction may be as much as two years behind schedule. Brazil blames West German arrogance and incomplete training for delays in transferring the technology. The West Germans complain that Brazil's inexperience and relatively low technological base have retarded the exchange. [REDACTED]

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Rising costs for construction, training, and hardware are also having a heavy impact on Brazilian leaders. Delays in the program and spiraling inflation affecting both countries have led to a number of serious cost overruns for the minimal construction completed to date. The original \$5 billion figure for the reactors and associated plants may double or triple. Some domestic critics have charged that Brazilian and West German corruption and mismanagement have added to the sharp cost increases. [REDACTED]

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Site security and safety procedures have proven faulty. A number of accidents and other costly incidents have come to the attention of the press and provided ample fuel for critics. These factors, in combination with some personal enmities, have split the Brazilian scientific community, which is now engaged in a sometimes sharp dispute over the accord and its possible curtailment. The most recent example was the resignation of a top nuclear official who disagreed with policies of the director of Brazil's nuclear energy. [REDACTED]

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Figueiredo officially supports the nuclear program, but he may be giving only lip service to a program that was highly touted by his predecessor. The new President has indicated he will gradually reevaluate the scope of the accord with West Germany. He has already asked for a cost analysis of the last four of the eight reactors called for in the agreement and has shown interest in Brazil's hydroelectric potential. Figueiredo has also selected an energy adviser who has criticized portions of the agreement with West Germany in favor of conventional power development. Finally, the new Minister of Mines and Energy, Cesar Cals, has publicly hinted that Brazil will slow its push into reactor construction.

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Cals said that nuclear-related progress will depend on Brazil's need for energy, an implication that later reactors may be delayed indefinitely. [REDACTED]

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There is no evidence that Brazil is planning to produce nuclear weapons any time soon, although such speculation has surfaced since 1975. Feeding international concern is Brazil's failure to sign the Nuclear Non-Proliferation Treaty or fully to ratify the Tlatelolco Treaty, which would establish Latin America as a nuclear-free zone. Added to this is previous emphasis by the Brazilian military on heavy water production and occasional published remarks by military officers indicating that Brazil must have a nuclear weapons capability to be truly independent. [REDACTED]

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[REDACTED]

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While West German technology will allow Brazil to produce fissible materials that could be used in explosive devices, a number of years--perhaps eight to 10--would be required to complete the development of weapons. The Brazilians would have to break international safeguards to begin such a program at this time. Brazilian leaders have repeatedly asserted that their country will use nuclear technology only for peaceful purposes. Brazil is clearly the most powerful nation in South America and has no immediate need for atomic weapons.

[REDACTED]

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#### Outlook

Brazil is likely to curtail its nuclear program and focus more on the country's substantial and more readily available hydroelectric power. Figueiredo may take additional action later and possibly eliminate the last four reactors under the accord. Continued delays and price increases because of management and contractual problems may force a reduction in the West German agreement

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through the sheer cost. In addition, the dispute between nuclear officials may force the President to shuffle Brazil's top nuclear managers. [REDACTED]

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The timing of significant changes is uncertain because of the political impact of the nuclear issue and Figueiredo's reluctance to repudiate former President Geisel's policies. Whatever the changes, Brazil will not abandon its effort to exploit the West German technology transfer toward achieving its goal of nuclear independence. There is no pressure now from any important sector in Brazil to develop explosive devices with the plutonium from the reprocessing technology. Brazilian expectations regarding a full-fuel cycle nuclear program and the controversy both inside and out of the country over the accord with West Germany will heighten Brasilia's sensitivity to criticism. The nuclear issue will remain an important factor in Brazil's international relations for the foreseeable future. [REDACTED]

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